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DAMENG

CITIC Dameng Holdings Limited

中信大錳控股有限公司 *

(incorporated in Bermuda with limited liability)

(Stock Code: 1091)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK$3,140.9 million for 1H 2019, representing a decrease of 3.7% from HK$3,263.1 million of 1H 2018.

- Gross profit amounted to HK$363.1 million for 1H 2019, representing an increase of 30.6% from HK$278.0 million of 1H 2018. Gross profit margin was 11.6% for 1H 2019, representing an increase of 3.1% from 8.5% for 1H 2018.

- Profit attributable to owners of the parent amounted to HK$86.3 million for 1H 2019 representing an increase of 0.4% from HK$85.9 million in 1H 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
REVENUE	4	**3,140,900**	3,263,124
Cost of sales		**(2,777,780)**	(2,985,143)
Gross profit		**363,120**	277,981
Other income and gains	4	**95,970**	203,118
Selling and distribution expenses		**(44,905)**	(52,276)
Administrative expenses		**(200,209)**	(181,953)
Finance costs	5	**(111,681)**	(128,469)
Other expenses		**(3,522)**	(6,647)
Share of profits and losses of:			
– Associates		**(10,573)**	(1,526)
– A joint venture		**2,721**	–
PROFIT BEFORE TAX	6	**90,921**	110,228
Income tax (expense)/credit	7	**(24,501)**	3,791
PROFIT FOR THE PERIOD		**66,420**	114,019
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
– Exchange differences on translation of foreign operations		**1,126**	(36,998)
– Cash flow hedges, net of tax		**(3,002)**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**64,544**	77,021

		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Profit/(loss) attributable to:			
Owners of the parent		**86,261**	85,884
Non-controlling interests		**(19,841)**	28,135
		66,420	114,019
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**84,610**	52,222
Non-controlling interests		**(20,066)**	24,799
		64,544	77,021
Earnings per share attributable to ordinary equity holders of the parent:	*8*		
– Basic		**HK$0.0252**	HK$0.0251
– Diluted		**HK$0.0252**	HK$0.0251

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	**30 June 2019 *HK$'000* (Unaudited)**	31 December 2018 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,715,426**	2,726,320
Investment properties		**96,492**	96,552
Prepaid land lease payments		**–**	440,975
Right-of-use assets		**501,284**	–
Intangible assets		**521,384**	529,358
Investments in associates		**875,576**	886,382
Investment in a joint venture		**128,216**	125,534
Deferred tax assets		**33,967**	34,037
Prepayments and other assets		**143,223**	183,999
Total non-current assets		**5,015,568**	5,023,157
CURRENT ASSETS			
Inventories		**748,235**	685,029
Trade and notes receivables	*10*	**1,815,230**	1,923,819
Prepayments, other receivables and other assets		**617,525**	534,875
Derivative financial instruments		**636**	–
Due from related companies		**35,237**	35,064
Due from associates		**18,304**	17,854
Due from a joint venture		**17,983**	1,412
Tax recoverable		**496**	496
Financial assets at fair value through profit or loss		**7,944**	7,931
Pledged deposits		**65,227**	119,074
Cash and cash equivalents		**1,520,703**	1,269,668
Total current assets		**4,847,520**	4,595,222
CURRENT LIABILITIES			
Trade and notes payables	*11*	**838,885**	778,706
Other payables and accruals		**871,431**	993,005
Derivative financial instruments		**1,915**	699
Interest-bearing bank and other borrowings	*12*	**3,734,909**	3,171,060
Due to related companies		**2,976**	8,575
Tax payable		**25,043**	14,815
Total current liabilities		**5,475,159**	4,966,860
NET CURRENT LIABILITIES		**(627,639)**	(371,638)

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,387,929**	4,651,519
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*12*	**899,213**	1,192,235
Derivative financial instruments		**2,864**	1,232
Deferred tax liabilities		**185,141**	186,463
Other long-term liabilities		**30,148**	28,118
Deferred income		**73,821**	76,988
Total non-current liabilities		**1,191,187**	1,485,036
Net assets		**3,196,742**	3,166,483
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**342,846**	342,846
Reserves		**2,807,389**	2,757,064
		3,150,235	3,099,910
Non-controlling interests		**46,507**	66,573
Total equity		**3,196,742**	3,166,483

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

1. CORPORATE INFORMATION

CITIC Dameng Holdings Limited (the "**Company**") was incorporated in Bermuda on 18 July 2005 as an exempted company with limited liability under Section 14 of the Companies Act 1981 of Bermuda (as amended). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at 23/F, 28 Hennessy Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise manganese mining, ore processing and downstream processing operations in Mainland China, manganese mining and ore processing operations in Gabon, as well as trading of manganese ores, manganese alloys and related raw materials.

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing Securities on the Stock Exchange and the Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

As at 30 June 2019, the Company and its subsidiaries (collectively referred to as the "**Group**") had net current liabilities of HK$627.6 million (31 December 2018: HK$371.6 million). In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(a) The Group continues to restructure the mix of manganese products with the aim to increase the portion of products with higher margin so as to attain profitable and positive cash flow operations. In particular, the Group continues to ramp up mining and processing capacity of existing mines. In addition, the Group from time to time reviews its investment projects and may adjust its investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

(b) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring the daily operating expenses.

(c) At 30 June 2019, certain PRC banks had confirmed to the Group in writing regarding their agreements to renew their short-term bank loans granted to the Group totalling HK$1,134.6 million upon repayment when due, subject to the condition that the Group will be able to repay the total interest due upon the respective repayment dates. Based on the abovementioned agreements and past experience, the directors consider it is highly probable that the Group can extend adequate amount of short-term bank loans for another year when fall due to maintain sufficient working capital of the Group.

(d) The Group is actively following up with its debtors on outstanding receivables with an aim of agreeing a repayment schedule with each of them.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the abovementioned plans and measures and profitability of the Group in the first half of the year 2019, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the six months ended 30 June 2019 on a going concern basis.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures and HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases - Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, if any, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of prepaid land lease payments and property, plant and equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in "Other payables and accruals".

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

- Elected not to recognise a lease liability and a right-of-use asset for leases for which the lease term ends within 12 months of the date of initial application. In this case, a lessee:

  (i) accounts for those leases in the same way as short-term leases; and

  (ii) includes the cost associated with those leases within the disclosure of short-term lease expense in the annual reporting period that includes the date of initial application;

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	HK'000
Assets	
Right-of-use assets	494,179
Prepaid land lease payments	(452,680)
Total assets	41,499
Liabilities	
Other payables and accruals	41,499
Total liabilities	41,499

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	HK'000
Operating lease commitments as at 31 December 2018	46,222
Weighted average incremental borrowing rate as at 1 January 2019	5.2%
Discounted operating lease commitments at 1 January 2019	41,499
Lease liabilities as at 1 January 2019	41,499

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "Other payables and accruals"), and the movement during the period are as follow:

	Right-of-use assets				
	Land use rights	**Buildings**	**Motor vehicles, plant, machinery, tools and equipment**	**Total**	**Lease liabilities**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2019	**452,680**	**8,189**	**33,310**	**494,179**	**41,499**
Additions	2,857	–	18,944	21,801	4,493
Depreciation expense	(6,151)	(2,421)	(5,675)	(14,247)	–
Interest expense	–	–	–	–	500
Payments	–	–	–	–	(30,895)
Exchange realignment	(228)	6	(227)	(449)	(24)
As at 30 June 2019	**449,158**	**5,774**	**46,352**	**501,284**	**15,573**

The Group recognised variable lease payments of HK$4,946,000 for the six months ended 30 June 2019.

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised as a mixture of both business products and geographical locations based on their products and services and has four reportable operating segments as follows:

(a) Manganese mining segment (PRC and Gabon)

The manganese mining and ore processing segment engages in the mining and production of manganese products including principally, through the Group's integrated processes, the mining, beneficiation, concentrating, grinding and the production of manganese concentrates and natural discharging manganese powder and sand;

(b) EMM and alloying materials production segment (PRC)

The EMM and alloying materials production segment comprises mining and processing ores used in hydrometallurgical processing for/and production of Electrolytic Manganese Metal ("**EMM**") and manganese briquette, and pyrometallurgical processing for production of silicomanganese alloys;

(c) Battery materials production segment (PRC)

The battery materials production segment engages in the manufacture and sale of battery materials products, including Electrolytic Manganese Dioxide ("**EMD**"), manganese sulfate, lithium manganese oxide and lithium nickel cobalt manganese oxide; and

(d) Other business segment (PRC and HK)

The other business segment comprises, principally, the trading of various commodities such as manganese ores, EMM, manganese alloys and non-manganese metals, sales of scraps, and rental of investment properties and leasehold lands.

For the six months ended 30 June 2019, with increasing portion of the Group's battery material products in terms of revenue and total assets, the Group has changed the composition of its reportable segments, mainly by segregating the battery materials production segment (PRC) from the manganese downstream processing segment (PRC) for the six months ended 30 June 2018. Following the change in the composition of the Group's reportable segments, the corresponding items of segment information for the six months ended 30 June 2018 have been restated to conform with the current period's presentation.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, finance costs, fair value gain/loss from the Group's financial instruments, production halt expenses as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude derivative financial instruments, deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, financial assets at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank and other borrowings, deferred tax liabilities, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers between group companies are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices; intersegment sales and transfers within a company are transacted at cost.

	Manganese mining PRC	Manganese mining Gabon	EMM and alloying materials production PRC	Battery materials production PRC	Other business PRC & HK	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2019 (Unaudited)						
Segment revenue:						
Sales to external customers	**61,254**	**–**	**1,566,290**	**331,093**	**1,182,263**	**3,140,900**
Intersegment sales	**–**	**–**	**–**	**–**	**328,663**	**328,663**
Other revenue	**14**	**49,037**	**24,463**	**1,532**	**13,114**	**88,160**
	61,268	**49,037**	**1,590,753**	**332,625**	**1,524,040**	**3,557,723**
Reconciliation:						
Elimination of inter segment sales						**(328,663)**
Revenue from operations						**3,229,060**
Segment results	**(8,393)**	**45,705**	**166,640**	**55,659**	**5,503**	**265,114**
Reconciliations:						
Interest income						**7,810**
Corporate and other unallocated expenses						**(70,322)**
Finance costs						**(111,681)**
Profit before tax						**90,921**
Income tax expense						**(24,501)**
Profit for the period						**66,420**
Assets and liabilities						
Segment assets	**922,238**	**255,036**	**4,454,671**	**1,056,156**	**1,403,752**	**8,091,853**
Reconciliations:						
Corporate and other unallocated assets						**1,771,235**
Total assets						**9,863,088**
Segment liabilities	**337,928**	**24,882**	**972,080**	**137,817**	**289,074**	**1,761,781**
Reconciliations:						
Corporate and other unallocated liabilities						**4,904,565**
Total liabilities						**6,666,346**

	Manganese mining PRC HK$'000	Manganese mining Gabon HK$'000	EMM and alloying materials production PRC HK$'000	Battery materials production PRC HK$'000	Other business PRC & HK HK$'000	Total HK$'000
Six months ended 30 June 2018 (Unaudited)						
Segment revenue:						
Sales to external customers	77,090	4,317	1,481,426	316,417	1,383,874	3,263,124
Intersegment sales	–	–	–	–	149,110	149,110
Other revenue	89,575	52,319	30,642	–	16,390	188,926
	166,665	56,636	1,512,068	316,417	1,549,374	3,601,160
Reconciliation:						
Elimination of inter segment sales						(149,110)
Revenue from operations						3,452,050
Segment results	48,278	53,566	148,866	35,302	4,631	290,643
Reconciliations:						
Interest income						14,192
Corporate and other unallocated expenses						(66,138)
Finance costs						(128,469)
Profit before tax						110,228
Income tax credit						3,791
Profit for the period						114,019
Assets and liabilities						
Segment assets	891,149	299,201	3,942,210	846,702	1,524,824	7,504,086
Reconciliations:						
Corporate and other unallocated assets						2,199,597
Total assets						9,703,683
Segment liabilities	420,707	30,101	1,231,058	102,369	220,200	2,004,435
Reconciliations:						
Corporate and other unallocated liabilities						4,655,128
Total liabilities						6,659,563

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods:		
Manganese mining	**61,254**	81,407
EMM and alloying materials production	**1,566,290**	1,481,426
Battery materials production	**331,093**	316,417
Other business	**1,182,263**	1,383,874
	3,140,900	3,263,124

Revenue from contracts with customers

(a) Disaggregated revenue information

For the six months ended 30 June 2019 (Unaudited)

Segments	**Manganese mining**	**EMM and alloying material production**	**Battery materials production**	**Other business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Sale of goods	**61,254**	**1,566,290**	**331,093**	**1,182,263**	**3,140,900**
Geographical markets					
Mainland China	**59,338**	**1,379,360**	**317,207**	**1,182,263**	**2,938,168**
Asia (excluding Mainland China)	**1,916**	**147,733**	**11,990**	**–**	**161,639**
Europe	**–**	**28,997**	**1,896**	**–**	**30,893**
North America	**–**	**10,200**	**–**	**–**	**10,200**
Other countries	**–**	**–**	**–**	**–**	**–**
Total revenue from contracts with customers	**61,254**	**1,566,290**	**331,093**	**1,182,263**	**3,140,900**
Timing of revenue recognition					
Goods transferred at a point in time with customers	**61,254**	**1,566,290**	**331,093**	**1,182,263**	**3,140,900**

For the six months ended 30 June 2018 (Unaudited)

Segments

	Manganese mining *HK$'000*	EMM and alloying materials production *HK$'000*	Battery materials production *HK$'000*	Other business *HK$'000*	Total *HK$'000*
Sale of goods	81,407	1,481,426	316,417	1,383,874	3,263,214
Geographical markets					
Mainland China	81,264	1,214,956	298,807	1,383,874	2,978,901
Asia (excluding Mainland China)	143	211,171	15,327	–	226,641
Europe	–	40,108	1,612	–	41,720
North America	–	15,191	468	–	15,659
Other countries	–	–	203	–	203
Total revenue from contracts with customers	81,407	1,481,426	316,417	1,383,874	3,263,214
Timing of revenue recognition					
Goods transferred at a point in time with customers	81,407	1,481,426	316,417	1,383,874	3,263,214

An analysis of other income and gains is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Interest income	**7,810**	14,192
Gain on disposal of items of property, plant and equipment	**5,092**	8,361
Subsidy income	**4,958**	9,342
Subcontracting income	**48,487**	52,319
Sale of scraps	**11,155**	14,093
Rental income	**13,003**	14,090
Reversal of impairment loss of trade receivables, net	**511**	–
Fair value gain on financial asset at fair value through profit or loss	**12**	–
Compensation income	**–**	84,204
Foreign exchange gain, net	–	4,787
Others	**4,942**	1,730
	95,970	203,118

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on loans wholly repayable within five years	**106,026**	107,164
Finance costs for discounted notes receivable	**3,153**	12,013
Interest expenses on lease liabilities	**500**	–
Other finance costs	**2,002**	9,292
	111,681	128,469

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold[#]	**2,777,458**	2,981,685
Write-down of inventories to net realisable value, net[#]	**322**	3,458
Depreciation of property, plant and equipment	**160,391**	174,279
Depreciation of right-of-use assets	**14,247**	–
Amortisation of prepaid land lease payments	**–**	6,547
Amortisation of intangible assets	**8,488**	11,770
Auditor's remuneration	**1,843**	2,006
Minimum lease payments under operating leases, land and buildings	**–**	8,688
Employee benefit expense	**284,709**	281,176
Compensation income*	**–**	(84,204)
Gain on disposal of items of property, plant and equipment*	**(5,092)**	(8,361)
Foreign exchange differences, net*	**585**	(4,787)
Impairment of financial assets, net:		
Impairment of trade receivables*	**(511)**	4,720
Impairment of financial assets included in prepayments, other receivables, and other assets*	**–**	519
Fair value (gain)/loss on financial assets at fair value through profit or loss*	**(12)**	224

Included in "Cost of sales" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

* Included in "Other income and gains" (note 4) or "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

7. INCOME TAX (EXPENSE)/CREDIT

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The major components of income tax (expense)/credit for the reporting period are as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – PRC		
Charge for the period	**(25,617)**	(2,605)
Current – Gabon		
Charge for the period	**(64)**	(45)
Deferred	**1,180**	6,441
Total tax (charge)/credit for the period	**(24,501)**	3,791

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had utilised unrecognised tax losses brought forward from prior years to set off against the current period's taxable profits.

PRC corporate income tax ("CIT")

Pursuant to the PRC Income Tax Law and the respective regulations, except for the preferential tax treatment available to CITIC Dameng Mining Industries Co., Limited which is recognised as a High and New Technology Enterprise and is entitled to a preferential CIT rate of 15% up to November 2019, and Guangxi Start Manganese Materials Co., Ltd., which is entitled to a preferential CIT rate of 15% for Developing Western China for which the policy will end in 2020 and related benefit will subject to review by tax authorities each year, other companies of the Group which operate in Mainland China are subject to CIT at a rate of 25% on their respective taxable income.

Gabon corporate income tax

Pursuant to the Gabon Income Tax Law, a company which engages in mining operations in Gabon is subject to CIT at the higher of 35% of its taxable income or 1% of its revenue.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)

The calculation of basic and diluted earnings per share are based on:

Profit		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**86,261**	85,884
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,428,459,000**	3,428,459,000

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019 nor the six months ended 30 June 2018. No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2019 nor the six months ended 30 June 2018 in respect of dilution as the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. DIVIDEND

(a) The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (2018: Nil).

(b) The proposed final dividend for the year 2018 was approved by the annual general meeting of the Company on 24 May 2019 and was paid on 24 June 2019:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
2018 final dividend of HK$0.01 per share on 3,428,459,000 Shares	**34,285**	–

10. TRADE AND NOTES RECEIVABLES

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade receivables	**1,023,245**	1,122,374
Notes receivable	**838,136**	848,130
	1,861,381	1,970,504
Less: Impairment	**(46,151)**	(46,685)
	1,815,230	1,923,819

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment is required either in advance or upon delivery. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one month to three months from the invoice date and cash realisation may be further extended by three to six months for those customers paying by bank acceptance notes. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management.

An ageing analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within one month	**461,812**	557,161
One to two months	**294,964**	162,234
Two to three months	**38,192**	241,536
Over three months	**182,126**	114,758
	977,094	1,075,689

An ageing analysis of the notes receivable of the Group as at the end of the reporting period, based on the receipt date of the notes, is as follows:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one month	**348,960**	369,460
One to two months	**212,256**	113,710
Two to three months	**126,459**	132,673
Over three months and less than six months	**150,461**	232,287
	838,136	848,130

11. TRADE AND NOTES PAYABLES

An ageing analysis of the trade and notes payables as at the end of the reporting period, based on the invoice date of trade payables and the issue date of notes, is as follows:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one month	**403,588**	375,830
One to two months	**226,829**	138,883
Two to three months	**36,440**	73,557
Over three months	**172,028**	190,436
	838,885	778,706

Trade payables are non-interest-bearing and are normally settled on 60-day terms.

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019			31 December 2018		
	Effective interest rate (%)	**Maturity**	***HK$'000*** **(Unaudited)**	Effective interest rate (%)	Maturity	*HK$'000* (Audited)
Current						
Finance lease payables	**6.32-8.70**	**2019-2020**	**130,408**	6.32-8.70	2019	167,559
Bank loans – secured *(note (a))*	**3.78-3.81**	**2019-2020**	**155,402**	3.80-3.92	2019	45,793
Bank loans – unsecured	**4.35-5.22, LIBOR+1.0- LIBOR+1.2**	**2019-2020**	**2,772,529**	4.57-5.89	2019	2,644,944
Current portion of long-term bank loans – unsecured	**4.75-5.46, LIBOR+2.30**	**2019-2020**	**676,570**	4.75-5.23, LIBOR+2.30	2019	312,764
			3,734,909			3,171,060
Non-current						
Finance lease payables	**6.32-8.70**	**2020-2021**	**54,063**	6.32-8.70	2020-2021	84,515
Bank loans – unsecured	**4.75, LIBOR+2.30**	**2020-2023**	**845,150**	4.75-5.46, LIBOR+2.30	2020-2021	1,107,720
			899,213			1,192,235
			4,634,122			4,363,295

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**3,604,501**	3,003,501
In the second year	**335,050**	618,842
In the third to fifth years, inclusive	**510,100**	488,878
	4,449,651	4,111,221
Other loans and finance leases repayable:		
Within one year or on demand	**130,408**	167,559
In the second year	**54,063**	56,723
In the third to fifth years, inclusive	**–**	27,792
	184,471	252,074
	4,634,122	4,363,295

(a) The above secured bank and other borrowings are secured by certain of the Group's assets with the following carrying values:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade receivables	**155,402**	45,793

(b) At 30 June 2019, except for bank and other borrowings of HK$1,014,135,000 (31 December 2018: HK$555,796,000) which were denominated in United States dollars, all borrowings were in Renminbi.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

	1H 2019	1H 2018	Increase/(decrease)	
	HK$'000	*HK$'000*	*HK$'000*	*%*
Revenue	**3,140,900**	3,263,124	(122,224)	(3.7)
Gross profit	**363,120**	277,981	85,139	30.6
Gross profit margin	**11.6%**	8.5%	–	3.1
Profit before tax	**90,921**	110,228	(19,307)	(17.5)
Income tax (expense)/credit	**(24,501)**	3,791	(28,292)	(746.3)
Profit for the period	**66,420**	114,019	(47,599)	(41.7)
Profit attributable to owners of the parent	**86,261**	85,884	377	0.4
Profit/(loss) attributable to non-controlling interests	**(19,841)**	28,135	(47,976)	(170.5)
	66,420	114,019	(47,599)	(41.7)

Overview

In 1H 2019, the global economy was deeply shadowed by the US-China trade war experienced in 2018 carried into the year 2019. In 1H 2019, the PRC government carried out tax reforms and expansionary fiscal policy to stimulate the market demand in China. The impact of the above measures had been eliminated due to the escalation of the US-China trade war in the recent months, which depressed the investment intentions of corporates and further dampened the economies in both the US and China. The downsize risk of global economy continues to increase.

The steel sector is our major downstream industry, its demand for our products was largely arising from consumptions within China, the negative impact of the US-China trade war on steel sector was relatively moderate in 1H 2019. In 1H 2019, the investments from property sector records an increase compared with 1H 2018 and together with the growth of demand from government-led infrastructures, the demand for steels recorded a moderate growth and the steel price remained steady in 1H 2019.

In 1H 2019, the EMM market demand and supply was relatively stable. While the market price of EMM products recorded a year-on-year increase, the market price of EMM products has been dropped back to a more reasonable level and remained steady in 1H 2019 after having stayed at an exceptionally high level for a few months not long before the year end of 2018 due to squeezed supply in China. All in all, the average selling price of our EMM products for 1H 2019 increased by 4.6% to HK$13,550 per tonne (1H 2018: HK$12,952 per tonne) and the gross profit contribution of EMM products recorded an increase of 38.3% to HK$234.5 million (1H 2018: HK$169.6 million).

In 1H 2019, the market demand of battery materials especially EMD continues to grow rapidly. The average selling price of EMD for 1H 2019 increased by 5.8% to HK$10,226 per tonne (1H 2018: HK$9,668 per tonne) and the gross profit contribution of EMD recorded an increase of 54.1% to HK$52.2 million (1H 2018: HK$33.9 million). In response to this strong demand for battery materials, we continue to cautiously expand our production capacity of battery material products. Construction of the second phase of our Chongzuo lithium manganese oxide production plant was completed in May 2019 and commercial production gradually commenced in June 2019. In addition, we continue to carry out technological innovations and upgrades in our joint venture Huiyuan Manganese to expand its production capacity of EMD and expect the project will be completed by the end of the year 2019.

Amidst of the above, the increase in selling price of our major products EMM products and EMD in 1H 2019 led to the increase of gross profit margin by 3.1% to 11.6% (1H 2018: 8.5%) and gross profit of the Group by 30.6% to HK$363.1 million (1H 2018: HK$278.0 million).

Positive contributions from the above factors were was partially offset by the following events:

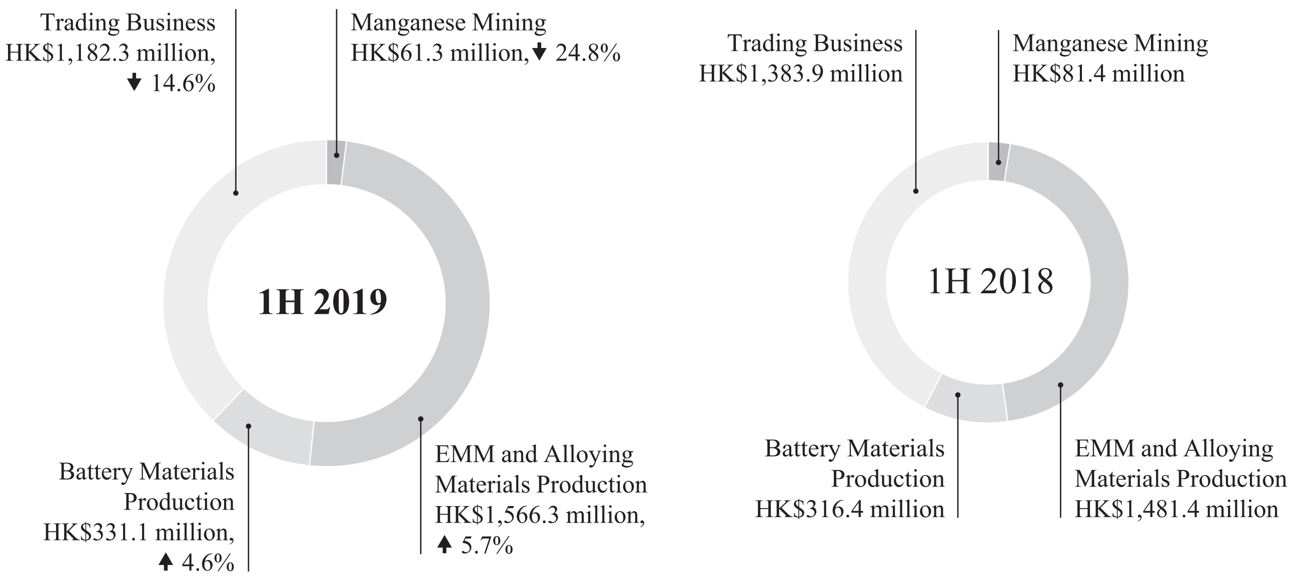
(a) during 1H 2018, our 64%-owned subsidiary Hui Xing Group received a non-recurring relocation compensation in cash amounting to HK$84.2 million (equivalent to RMB68.4 million) from the government. The amount received was recognised as compensation income under "Other income and gains" in 1H 2018.

(b) The gross profit margin of silicomanganese alloy decreased by 6.3% to 0.9% in 1H 2019 (1H 2018: 7.2%). As opposed to 1H 2018, the relatively advantageous market environment of silicomanganese alloy did not repeat in 1H 2019 mainly because the elimination of outdated capacity of ferroalloy carried out in recent years was almost completed in the year 2018 and such capacity was replaced by newly commenced projects in China gradually. This leads to a relatively excessive supply condition in the market. Despite this factor, the Group believes our expertise and experience in the industry will bring us a competitive advantage in the market. We limited our costs of investments by adopting asset-light strategy to cautiously expand our capacity of silicomanganese alloy through leasing of additional ferroalloy furnaces with an annual capacity of 90,000 tonnes in 1H 2019. We expect the production of these furnaces will gradually become stable in 2H 2019 after their initial phase of start-up. We will continue to strictly control our costs of production to maximise our profitability amidst of current market condition. Furthermore, with the support of the growing production of silicomanganese alloy from our newly leased ferroalloy furnaces and an associate Dushan Jinmeng, we continue to cautiously develop our trading business of manganese ore, manganese ferroalloy and its related raw materials to increase our market influence and strengthen our competitiveness.

As a result, consolidated net profit attributable to owners of the parent in 1H 2019 improved by 0.4% to HK$86.3 million (1H 2018: HK$85.9 million).

Comparison with six months ended 30 June 2018

Revenue by segment



In 1H 2019, the Group's revenue was HK$3,140.9 million (1H 2018: HK$3,263.1 million), representing a decrease of 3.7% as compared with 1H 2018. The decrease was mainly due to the net effect of (a) increase in average selling prices of EMM products; (b) decrease in sales volume of EMM products; (c) substantial increase in sales volume of silicomanganese alloy; and (d) decrease in sales revenue from trading business.

In 1H 2019, the revenue of our major products EMM products accounted for 36.1% (1H 2018: 37.2%) of our total revenue.

Manganese mining segment

	Sales Volume *(tonnes)*	Average Selling Price *(HK$/tonne)*	Revenue *(HK$'000)*	Unit Cost of Sales *(HK$/tonne)*	Cost of Sales *(HK$'000)*	Gross Profit/ (Loss) *(HK$'000)*	Gross Profit/ (Loss) Margin *(%)*
Six months ended 30 June 2019							
Gabon ore (note)	–	–	–	–	–	–	–
Manganese concentrate	**124,117**	**432**	**53,559**	**376**	**46,608**	**6,951**	**13.0**
Natural discharging manganese powder and sand	**2,646**	**2,908**	**7,695**	**385**	**1,019**	**6,676**	**86.8**
Total	**126,763**	**483**	**61,254**	**375**	**47,627**	**13,627**	**22.2**
Six months ended 30 June 2018							
Gabon ore (note)	9,101	474	4,317	704	6,408	(2,091)	(48.4)
Manganese concentrate	210,530	292	61,572	327	68,928	(7,356)	(11.9)
Natural discharging manganese powder and sand	5,623	2,760	15,518	572	3,215	12,303	79.3
Total	225,254	361	81,407	349	78,551	2,856	3.5

Results of Gabon Mine

	Six months ended 30 June			
	2019	2018	**Increase/(Decrease)**	
	HK$'000	*HK$'000*	***HK$'000***	***%***
Gross loss from sales of Gabon ore	–	(2,091)	2,091	(100.0)
Subcontracting income *(note)*	**48,487**	52,319	(3,832)	(7.3)
Total	**48,487**	50,228	(1,741)	(3.5)

Note: The Group entered into a subcontracting agreement with Guangxi Jinmeng, the major shareholder of an associate of the Group, entrusting Guangxi Jinmeng with certain rights to operate the Group's Bembélé Manganese Mine in Gabon under the supervision of the Group and subject to certain conditions for a period of five years commencing from 1 March 2017. During the subcontracting period, the Group continues to control the strategy and significant matters of the mine's operation and the Group receives a fixed income of RMB26,000,000 (equivalent to HK$30,043,000) per annum plus a variable income upon sales of ores mined by the subcontractor and determined with reference to the ore's selling price. The revenue and cost of sales from the ores of Bembélé Manganese Mine mined by the subcontractor were not recognised in the Group's consolidated statement of profit or loss. Instead, the aggregate of fixed income and variable income above-mentioned is recognised as subcontracting income under "Other income and gains" in the consolidated statement of profit or loss.

In 2018, sales of our Gabon ores from Bembélé Manganese Mine represented all the remaining inventories already mined by the Group before the subcontracting arrangement came into effect in March 2017.

In 1H 2019, revenue of manganese mining segment decreased by 24.8% to HK$61.3 million (1H 2018: HK$81.4 million) mainly due to the decrease in production and also sales volume of natural discharging manganese powder and sand as Daxin Mine entered into almost all underground mining operations in 1H 2019 and therefore, the production of natural discharging manganese powder continued to decrease.

The gross profit of manganese mining segment increased by 377.1% to HK$13.6 million (1H 2018: HK$2.9 million) mainly due to the net effect of (a) increase in average selling price of manganese carbonate ores produced by Changgou Manganese Mine, therefore, the gross profit contributed from manganese carbonate turned from a loss of HK$7.4 million in 1H 2018 to a profit of HK$7.0 million in 1H 2019 and; (b) decrease in gross profit contribution from natural discharging manganese powder and sand due to decrease in their sales volume.

In 1H 2018, our 64% owned subsidiary Hui Xing Group received a non-recurring relocation compensation in cash amounting to HK$84.2 million from the government and recognised as compensation income, therefore, the manganese mining segment recorded a profit of HK$37.3 million (1H 2018: HK$101.8 million), a decrease of 63.4%.

EMM and alloying materials production segment

	Sales Volume *(tonnes)*	Average Selling Price *(HK$/tonne)*	Revenue *(HK$'000)*	Unit Cost of Sales *(HK$/tonne)*	Cost of Sales *(HK$'000)*	Gross Profit *(HK$'000)*	Gross Profit Margin *(%)*
Six months ended 30 June 2019							
EMM	**62,831**	**13,508**	**848,736**	**10,639**	**668,468**	**180,268**	**21.2**
Manganese briquette	**20,832**	**13,678**	**284,939**	**11,076**	**230,739**	**54,200**	**19.0**
	83,663	**13,550**	**1,133,675**	**10,748**	**899,207**	**234,468**	**20.7**
Silicomanganese alloy	**51,584**	**7,697**	**397,042**	**7,628**	**393,457**	**3,585**	**0.9**
Others	**5,486**	**6,484**	**35,573**	**5,923**	**32,495**	**3,078**	**8.7**
Total	**140,733**	**11,130**	**1,566,290**	**9,416**	**1,325,159**	**241,131**	**15.4**
Six months ended 30 June 2018							
EMM	71,341	12,896	919,989	10,976	783,038	136,951	14.9
Manganese briquette	22,401	13,129	294,111	11,674	261,504	32,607	11.1
	93,742	12,952	1,214,100	11,143	1,044,542	169,558	14.0
Silicomanganese alloy	28,738	8,627	247,937	8,008	230,128	17,809	7.2
Others	5,872	3,302	19,389	2,935	17,232	2,157	11.1
Total	128,352	11,542	1,481,426	10,065	1,291,902	189,524	12.8

Revenue of EMM and alloying materials production segment increased by 5.7% to HK$1,566.3 million in 1H 2019 (1H 2018: HK$1,481.4 million) mainly attributable to the followings:

(a) EMM products continued to be our major products in terms of revenue and the average selling price of EMM products recorded an increase of 4.6% to HK$13,550 per tonne (1H 2018: HK$12,952 per tonne).

(b) The revenue of silicomanganese alloy increased by 60.1% to HK$397.0 million in 1H 2019 (1H 2018: HK$247.9 million) mainly attributable to the net effect of (i) sales volume increased by 79.5% to 51,584 tonnes in 1H 2019 (1H 2018: 28,738 tonnes) attributable to production from newly leased alloy production furnaces in Xingyi, Guizhou; and (ii) the decrease in average selling price of silicomanganese alloy by 10.8% to HK$7,697 per tonne in 1H 2019 (1H 2018: HK$8,627 per tonne).

The above factors are partially offset by the following:

(c) The sales volume of EMM products decreased by 10.8% to 83,663 tonnes in 1H 2019 (1H 2018: 93,742 tonnes) mainly because our major downstream customers became more conservative as opposed to 1H 2018 and therefore our delivery of EMM products slightly slowed down.

As a result of increase in average selling prices of EMM products, the gross profit contribution of EMM and alloying materials production segment increased by 27.2% to HK$241.1 million (1H 2018: HK$189.5 million) and EMM and alloying materials production segment recorded a profit of HK$166.6 million (1H 2018: HK$148.9 million), an increase of 11.9%.

Battery materials production segment

	Sales Volume *(tonnes)*	Average Selling Price *(HK$/Tonne)*	Revenue *(HK$'000)*	Unit Cost of Sales *(HK$/Tonne)*	Cost of Sales *(HK$'000)*	Gross Profit *(HK$'000)*	Gross Profit Margin *(%)*
Six month period ended 2019							
EMD	**15,501**	**10,226**	**158,514**	**6,857**	**106,288**	**52,226**	**32.9**
Manganese sulfate	**12,620**	**3,544**	**44,728**	**2,776**	**35,039**	**9,689**	**21.7**
Lithium manganese oxide	**1,611**	**40,109**	**64,616**	**36,453**	**58,725**	**5,891**	**9.1**
NCM	**467**	**135,407**	**63,235**	**125,319**	**58,524**	**4,711**	**7.4**
Total	**30,199**	**10,964**	**331,093**	**8,562**	**258,576**	**72,517**	**21.9**
Six months period ended 2018							
EMD	14,563	9,668	140,788	7,340	106,893	33,895	24.1
Manganese sulfate	10,066	3,846	38,709	2,946	29,658	9,051	23.4
Lithium manganese oxide	1,145	63,929	73,199	53,759	61,554	11,645	15.9
NCM	291	218,973	63,721	201,148	58,534	5,187	8.1
Total	26,065	12,140	316,417	9,846	256,639	59,778	18.9

Revenue of battery materials production segment slightly increased by 4.6% to HK$331.1 million (1H 2018: HK$316.4 million) and gross profit of this segment increased by 21.3% to HK$72.5 million (1H 2018: HK$59.8 million) mainly attributable to the net effect of the followings:

(a) EMD continued to be our major battery material product and its market demand kept growing in 1H 2019. Therefore, the average selling price of EMD increased by 5.8% to HK$10,226 per tonne (1H 2018: HK$9,668 per tonne), contributing to an increase in revenue and gross profit contribution in 1H 2019;

(b) The gross profit margin of lithium manganese oxide decreased by 6.8% to 9.1% (1H 2018: 15.9%) mainly attributable to (i) the Group shifted its focus to ramp up the production and seize market share of lithium manganese oxide upon completion of the first phase of expansion of lithium manganese oxide production plant in Chongzuo and therefore, setting the selling price at a lower level at the initial stage and (ii) in 1H 2019, the PRC government implemented a more stringent policy towards the subsidies of new energy automobiles and this led to a downside pressure on the price of lithium manganese oxide.

As a result of increase in average selling price of EMD, the results of battery materials production segment recorded a profit of HK$55.7 million (1H 2018: HK$35.3 million), an increase of 57.7%.

Other business segment

	Revenue *(HK$'000)*	Cost of Sales *(HK$'000)*	Gross Profit *(HK$'000)*	Gross Profit Margin *(%)*
Six months period ended 30 June 2019				
Trading	1,182,263	1,146,418	35,845	3.0
Six months period ended 30 June 2018				
Trading	1,383,874	1,358,051	25,823	1.9

Revenue of other business segment decreased by 14.6% to HK$1,182.3 million (1H 2018: HK$1,383.9 million). The gross profit contribution and gross profit margin from trading business improved as the Group underwent a selection process and since 2H 2018 shifted its focus to manganese related products which is more profitable and the Group has more experience in.

The results of this business segment recorded a profit of HK$5.5 million (1H 2018: HK$4.6 million), an increase of 18.8%.

Cost of Sales

Total cost of sales decreased by 6.9%, to HK$2,777.8 million in 1H 2019 (1H 2018: HK$2,985.1 million). The cost decrease was primarily due to the revenue and also the cost of sales from trading business decreased as a result of the Group's effort to contain the scale of trading business by focusing more on manganese related products.

Gross Profit

In 1H 2019, the Group recorded a gross profit of HK$363.1 million (1H 2018: HK$278.0 million), which represented an increase of HK$85.1 million from 1H 2018, or 30.6%. The Group's overall gross profit margin was 11.6%, representing an increase of 3.1% from 8.5% in 1H 2018. Improved overall gross profit and gross profit margin was mainly attributable to increase in average selling prices of EMM products and EMD.

Other Income and Gains

Other income and gains decreased by 52.8% to HK$96.0 million (1H 2018: HK$203.1 million) mainly because (a) our 64%-owned Hui Xing Group received a non-recurring relocation compensation in cash amounting to HK$84.2 million in 1H 2018; and (b) overdue interest income from trade receivables decreased.

Selling and Distribution Expenses

The Group's selling and distribution expenses in 1H 2019 have decreased by 14.1% to HK$44.9 million (1H 2018: HK$52.3 million) mainly attributable to decrease in export sales volume of EMM products and therefore the freight charges decreased.

Administrative Expenses

Administrative expenses increased by 10.0% to HK$200.2 million in 1H 2019 (1H 2018: HK$182.0 million) mainly attributable to (a) increase in research and development expenses for products and technological upgrades; and (b) increase in staff costs including annual adjustments and increase in social insurance contributions in the PRC.

Finance Costs

For 1H 2019, the Group's finance costs were HK$111.7 million (1H 2018: HK$128.5 million), representing a decrease of 13.1% which was mainly due to the Group's effort to control finance costs and in particular less notes receivable were discounted in 1H 2019.

Other Expenses

Other expenses of HK$3.5 million (1H 2018: HK$6.6 million) mainly include foreign exchange losses, donations and other non-operating expenses.

Share of Profits and Losses of Associates

Share of losses of associates of HK$10.6 million (1H 2018: HK$1.5 million) represents:

(a) share of loss of Greenway Mining, an 29.99% associate of the Group of HK$8.3 million (1H 2018: HK$4.6 million), mainly due to decrease in average selling price of its products during the period; and

(b) share of loss of Dushan Jinmeng, a 33.0% associate of the Group, of HK$2.3 million (1H 2018: profit of HK$3.1 million).

Share of Profit of a Joint Venture

The amount represents share of profit of HK$2.7 million of our 34.93% owned Ningbo Dameng Group established in June 2018.

Income Tax (Expense)/Credit

In 1H 2019, the effective tax rate is 26.9% (1H 2018: -3.4%). In 1H 2019, the effective tax rate was higher than the statutory tax rate of our major subsidiaries in the PRC because certain subsidiaries recording losses in the period did not recognise deferred tax arising from such losses for prudence. Comparing to the same period 2018, the effective tax rate was much higher because unutilised tax losses were available in 2018 to offset taxable profits for 1H 2018. Such tax losses were fully utilised in 2018 and no longer available for offsetting taxable profits in 1H 2019.

Profit Attributable to Owners of the Parent

For 1H 2019, the Group's profit attributable to owners of the parent was HK$86.3 million (1H 2018: HK$85.9 million).

Earnings per Share

For 1H 2019, earnings per share attributable to ordinary equity holders of the Company was HK$0.0252 (1H 2018: HK$0.0251).

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (1H 2018: Nil).

Use of Proceeds from IPO

Up to 30 June 2019, we utilised the net proceeds raised from IPO in accordance with the designated uses set out in the Prospectus as follows:

	Description	Amount designated in Prospectus *(HK$ Million)*	Amount utilised up to 30.06.2019 *(HK$ Million)*	% utilised	Amount utilised up to 31.12.2018 *(HK$ Million)*	% utilised
1	**Expansion project at Daxin EMD Plant**	79	79	100.0%	79	100.0%
2	**Expansion project of underground mining and ore processing at Daxin Mine**	278	278	100.0%	278	100.0%
3	**Expansion and construction projects of our EMM production facilities**	516	516	100.0%	516	100.0%
4	**Construction project at Chongzuo Base**	59	59	100.0%	59	100.0%
5	**Development of Bembélé manganese mine and associated facilities**	119	119	100.0%	119	100.0%
6	**Technological improvement and renovation projects at our production facilities**	40	40	100.0%	40	100.0%
7	**Acquisition of mines and mining right**	397	282	71.0%	282	71.0%
8	**Repayment on a portion of our bank borrowings**	297	297	100.0%	297	100.0%
9	**Working capital and other corporate purposes**	198	198	100.0%	198	100.0%
	Total	1,983	1,868	94.2%	1,868	94.2%

As at 30 June 2019, proceeds from IPO designated for acquisition of mines and mining right to the extent of HK$115.0 million was not yet utilised. According to the Prospectus, the proceeds shall be used for the acquisition of mines, mining rights in relation to mines with identified mining resources or related production facilities. Since IPO, the Group has been continuously studying potential acquisition opportunities of various mining projects introduced by investment banks, mine owners and other sources from time to time. However, the Group has not yet identified new projects which meet our investment strategy including risk return requirements. Currently the Group does not have a timetable for the utilisation of the remaining proceeds. Such timetable will only be available when the Group can identify project targets with a reasonable chance of acquisition completion. In the meantime, the unutilised portion of IPO proceeds continues to be maintained in deposits with licensed banks.

Liquidity and Financial Resources

Cash and Bank Balances

As at 30 June 2019, the currency denomination of the Group's cash and bank balances including pledged deposits are as follows:

Currency denomination	**30 June 2019 HK$ million**	31 December 2018 HK$ million
Denominated in:		
RMB	**1,336.6**	1,175.6
HKD	**8.0**	5.0
USD	**223.9**	192.7
XAF	**17.4**	15.4
	1,585.9	1,388.7

As at 30 June 2019, our cash and bank balances including pledged deposits were HK$1,585.9 million (31 December 2018: HK$1,388.7 million) while the Group's borrowings amounted to HK$4,634.1 million (31 December 2018: HK$4,363.3 million). The Group's borrowings net of cash and bank balances amounted to HK$3,048.2 million (31 December 2018: HK$2,974.6 million).

To manage liquidity risk, the Group continues to monitor current and expected liquidity requirements to secure sufficient balance of cash in the short and long terms as well as facilities from banks and financial institutions.

Other major changes in working capital

(a) Current prepayments, other receivables and other assets increased by HK$82.6 million to HK$617.5 million at 30 June 2019 (31 December 2018 : HK$534.9 million) mainly due to increase in prepayments and deposits for purchase of manganese ores and other raw materials due to our expansion of silicomanganese alloy production.

(b) At 30 June 2019, inventories increased by HK$63.2 million to HK$748.2 million (31 December 2018: HK$685.0 million) mainly attributable to increase in stock of manganese ores and other raw materials for silicomanganese alloy production.

The above impacts were net off by the followings:

(c) Trade and notes receivables of the Group as at 30 June 2019 decreased by HK$108.6 million to HK$1,815.2 million from HK$1,923.8 million as at 31 December 2018 mainly attributable to (i) average selling price and hence revenue from EMM products restored to a more reasonable level in 1H 2019 as apposed to a relatively high level in 2H 2018; and (ii) trade receivables balance from our trading business decreased.

Net Current Liabilities

As at 30 June 2019, the Group had net current liabilities of HK$627.6 million (31 December 2018: HK$371.6 million). The increase in net current liabilities was mainly because certain long-term bank loans and other borrowings repayable in 1H 2020 have been reclassified from long term to current as at 30 June 2019.

Bank and Other Borrowings

As at 30 June 2019, the Group's borrowing structure and maturity profile are as follows:

Borrowing structure	**30 June 2019** *HK$ million*	31 December 2018 *HK$ million*
Secured borrowings (including finance lease payables)	**339.9**	297.9
Unsecured borrowings	**4,294.2**	4,065.4
	4,634.1	4,363.3

Maturity profile	**30 June 2019** *HK$ million*	31 December 2018 *HK$ million*
Repayable:		
On demand or within one year	**3,734.9**	3,171.0
After one year and within two years	**389.1**	675.6
After two years and within five years	**510.1**	516.7
	4,634.1	4,363.3

Currency denomination	30 June 2019 HK$ million	31 December 2018 HK$ million
Denominated in:		
RMB	**3,620.0**	3,807.5
USD	**1,014.1**	555.8
	4,634.1	4,363.3

As at 30 June 2019, borrowings as to the amounts of HK$1,895.8 million (31 December 2018: HK$2,415.9 million) and HK$2,738.3 million (31 December 2018: HK$1,947.4 million), carry fixed and floating rate interest respectively. The fixed rate borrowings carry interest at rates ranging from 3.78% to 8.70%. The floating rate borrowings carry interest up to a premium of 5% to 10% above the Benchmark Borrowing Rates of the People's Bank of China ("**PBOC**"), except the USD loans which carry interest at LIBOR plus a margin ranging from 1.00% to 2.30%.

Overall, aggregate borrowings slightly increased to HK$4,634.1 million (31 December 2018: HK$4,363.3 million). The Group is now exploring various means including short-term or medium-term notes and more long-term bank loans to improve borrowing structure in terms of interest rate level and repayment terms.

Charge on Group Assets

As at 30 June 2019, (a) property, plant and equipment of HK$149.9 million (31 December 2018: HK$220.4 million) were held under finance lease; (b) none else of the Group's property, plant and equipment (31 December 2018: Nil) were pledged to secure the Group's interest-bearing bank borrowings; (c) bank balances of HK$65.2 million (31 December 2018: HK$119.1 million) were pledged to secure certain of the Group's bank acceptance notes payable; and (d) trade receivables of HK$155.4 million (31 December 2018: HK$45.8 million) were pledged to secure certain of the Group's bank borrowings.

Guarantees

(a) As at 30 June 2019, the outstanding bank loan of an associate, in which the Group has a 33.0% equity interest, was secured by the associate's lands and property, plant and equipment and guaranteed by the Group and the holding company of the associate Guangxi Jinmeng according to their respective shareholding percentage on a several basis.

As at 30 June 2019, the associate's banking facilities guaranteed by the Group and Guangxi Jinmeng amounted to RMB800.0 million (equivalent to HK$909.9 million) and were utilised to the extent of RMB603.5 million (equivalent to HK$686.4 million) (31 December 2018: RMB665.0 million, equivalent to HK$756.8 million) by the associate.

(b) As at 30 June 2019, loans amounting to RMB80.0 million (equivalent to HK$91.0 million) (31 December 2018: RMB80.0 million, equivalent to HK$91.0 million) provided by Guangxi Dameng to a company in which the Group owns 10% equity interest (the "**borrower**") is guaranteed by the Group and the major shareholder of the borrower according to the shareholding percentage on a several basis.

(c) As at 30 June 2019, the Group provided a guarantee to a bank in respect of an outstanding bank loan of RMB50.0 million (equivalent to HK$56.9 million) (31 December 2018: Nil) borrowed by a joint venture of the Group.

Key Financial Ratios of the Group

	30 June 2019	31 December 2018
Current ratio	**0.89**	0.93
Quick ratio	**0.75**	0.79
Net Gearing ratio	**96.8%**	96.0%

Current ratio	=	balance of current assets at the end of the period/balance of current liabilities at the end of the period
Quick ratio	=	(balance of current assets at the end of the period – balance of inventories at the end of the period)/balance of current liabilities at the end of the period
Net Gearing ratio	=	Calculated as net debt divided by equity attributable to owners of the parent. Net debt is defined as the sum of interest-bearing bank and other borrowings less cash and cash equivalents and pledged deposits

At 30 June 2019, current ratio and quick ratio deteriorated because certain long-term outstanding bank loans and other borrowings repayable in 1H 2020 have been reclassified from long term to current as at 30 June 2019. Net gearing ratio slightly increased mainly due to capital expenditure incurred during the period.

Liquidity risk and going concern basis

The Group monitors its risk to a shortage of funds on an on-going basis by closely monitoring the maturity of both its financial instruments and financial assets and projected cash flows from operations. The Group's objective is to maintain sufficient working capital to finance its operations and meet its financial obligation as and when they fall due. At the same time, the Group will strive a balance between continuity of funding and flexibility through the use of short-term and long-term bank loans, finance leases, other interest-bearing borrowings and short-term and medium-term notes, taking also into account of the different pricing of various financing for each alternatives. Due consideration will also be given to equity financing alternatives.

In view of the Group's net current liabilities of HK$627.6 million at 30 June 2019 (31 December 2018: HK$371.6 million), the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

(a) The Group continues to restructure the mix of manganese products processing with the aim to increase the portion of products with higher margin so as to attain profitable and positive cash flow operations. In particular, the Group continues to ramp up mining and processing capacity of existing mines. In addition, the Group from time to time reviews its investment projects and may adjust its investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

(b) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring the daily operating expenses.

(c) At 30 June 2019, certain PRC banks had confirmed to the Group in writing regarding their agreements to renew their short-term bank loans granted to the Group totalling HK$1,134.6 million upon repayment when due, subject to the condition that the Group will be able to repay the total interest due on the respective repayment dates. Based on the abovementioned agreements and past experience, the directors consider it is highly probable that the Group can extend adequate amount of short-term bank loans for a further year when fall due to maintain sufficient working capital of the Group.

(d) The Group is actively following up with its debtors on outstanding receivables with an aim of speeding up collection.

The directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the abovementioned plans and measures and profitability of the Group, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the six months ended 30 June 2019 on a going concern basis.

Credit Risk

The Group endeavoured to maintain strict control over its outstanding receivables to minimise credit risk. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of one to three months from the invoice date and cash realisation may be further extended by three to six months for those customers paying by bank acceptance notes. Overdue balances are regularly reviewed by senior management. Since the Group's trade and notes receivables related to a large number of diversified customers, there was no significant concentration of credit risk save for a customer Guangxi Jinmeng Group described below. The Group did not hold any collateral or other credit enhancements over its trade and notes receivable balances.

As at 30 June 2019, the customer with the largest balance of trade and notes receivables of the Group was Guangxi Jinmeng Group which is principally engaged in manganese ferroalloy production and manganese ore trading in the PRC and manganese mining in Gabon. It maintains close business relationship with major steel plants in the PRC. The Group supplies manganese ores to Guangxi Jinmeng Group which is also our subcontractor in Gabon Bembélé Manganese Mine.

In 1H 2019, revenue of HK$500.7 million (1H 2018: HK$465.9 million) was derived from trading of manganese ores to Guangxi Jinmeng Group, which accounted for 15.9% (1H 2018: 14.3%) of the Group's total revenue. As at 30 June 2019, trade and notes receivables from Guangxi Jinmeng Group was HK$357.8 million (31 December 2018: HK$351.5 million) and represents 19.7% (31 December 2018: 18.3%) of the Group's total.

Sales to Guangxi Jinmeng Group are on open account with a credit period ranging from about 75 days to 100 days from the date of receipt of goods, which can be extended for a further period of 60 days subject to the Company's approval. As at 30 June 2019, the remaining unsettled balances due from Guangxi Jinmeng Group are within their credit period. The directors of the Company consider that the related credit risk is acceptable to the Group.

Interest rate risk

We are exposed to interest rate risk resulting from fluctuations in interest rates on our floating rate debt. Floating interest rates are subject to published interest rate changes in PBOC as well as movements in LIBOR. If the PBOC increases interest rates or LIBOR moves up, our finance costs will increase. In addition, to the extent that we may need to raise debt financing or roll over our short-term loans in the future, any upward fluctuations in interest rates will increase the costs of new debt obligations. The Group secures interest rate swap contracts to effectively lock up certain United States dollars floating rate loan to fixed rate loan to contain interest rate risk since 2H 2018.

Foreign exchange risk

The Group's operations are primarily in Hong Kong, the PRC and Gabon. Foreign exchange risks for operations in each location are set out below. Except for certain PRC operation mentioned in (b) below, we have not entered into any foreign exchange contracts or derivative transactions to hedge against foreign exchange risks.

(a) In respect of our trading operations in Hong Kong, our sales and purchases are both denominated in United States dollars. In addition, Hong Kong dollars is pegged to United States dollars and hence foreign exchange risk is minimal.

(b) In respect of our mining and downstream operations in the PRC, our products are sold to local customers in RMB and to a less extent to overseas customers in United States dollars. Major expenses of our PRC operations are denominated in RMB except for the followings.

Since the year 2018, the Group increased its import of manganese ores from oversea suppliers which are denominated in United States dollars to cope with its increased production of alloy materials. In order to contain the foreign currency risk in association with such overseas purchase of manganese ores for alloy production, the Group entered into forward currency contracts for selected major purchases at the time of entering into the relevant purchase contracts, to secure against exchange rate movements.

(c) In respect of our Gabon operation which is under subcontracting arrangement, our subcontracting income is substantially denominated in RMB and all major expenses are borne by the subcontractor.

Investment in Gabon operation is substantially financed by United States dollar loans which are expected to be repaid in the long term out of the project's operating cash inflow which is mainly denominated in RMB.

Business Model and Strategy

The Group strives to be the global leading one stop and vertical integrated manganese producer while maintaining the Group's long term profitability and assets growth with adoption of flexible business model and strategy and prudent risk and capital management framework. We intend to adopt and implement the following strategies to achieve our objective:

(a) expand and upgrade our manganese resources and reserves through exploration and enhance our strategic control of manganese resources and reserves through mergers and acquisitions;

(b) enhance our operational efficiency and profitability; and

(c) establish and consolidate our strategic relationships with selected major customers and industry leading partners.

Future Development and Outlook

- Riding on our existing expertise in manganese industry and talents from Huiyuan Manganese, we continue to carry out technological innovations and upgrades in Huiyuan Manganese so as to enlarge its production capacity of EMD in a cost efficient manner and at the same time strictly control our costs of investment so as to maximise our profitability. We expect the expansion project will be completed by the end of the year 2019 and upon completion, Huiyuan Manganese will become one of the largest EMD manufacturers in China. In addition, we continue to monitor its financial performance and consider investment alternatives including increases in equity interests in Ningbo Dameng and/or Huiyuan Manganese.

- The second phase of lithium manganese oxide plant in Chongzuo Base was completed and commenced production in 1H 2019. Upon its completion, our production capacity of lithium manganese oxide was nearly doubled. The Group will be able to speed up participating in this fast growing battery materials market and start to shift our focus on marketing of lithium manganese oxide.

- Our efforts spent on marketing of the Gabon ore provide an encouraging result, the demand of the Gabon ore kept growing in 1H 2019. However, the logistics operation for ores mined from our Bembélé Manganese Mine in Gabon sees bottlenecks in local transportation infrastructure. We started to carry out research and study on the methodology and planning for the next phase of our mining operation of Bembélé Manganese Mine in order to increase and sustain our Gabon ore production.

- Amidst the slight downturn of ferroalloy market in 1H 2019, the production of Dushan Jinmeng became more stable and it is expected that by the end of the year 2019, half of the ferromanganese production and power generating capacity will have been put into production, and the remaining half of the project capacity will be put into production around mid-2020. Upon full production, Dushan Jinmeng will be one of the largest integrated power to manganese ferroalloy plants in the PRC, and therefore a key manganese ferroalloy supplier to steel plants in the southern market of the PRC.

- The production of our newly leased furnaces will become stable in 2H 2019. Riding on our expertise and experience in manganese from mining to downstream processing, we continue to strictly control our costs of production to maximise our profitability amidst of current market condition. On the other hand, with the support of the growing production of ferroalloy from our newly leased ferroalloy furnaces and Dushan Jinmeng, we continue to cautiously develop our trading business of manganese ore, manganese ferroalloy and its related raw materials to increase our market influence and strengthen our competitiveness.

- In terms of financing, we will continue our efforts to improve our liquidity and capital structure by exploring various alternatives from debt to equity and to raise necessary funds to finance our operations. In particular, we will put more weight on longer term financing than short term, taking into account of different pricing of various financing alternatives and due consideration will also be given to equity financing which can reduce our gearing ratio and have the possible advantage of expanding our shareholder base.

- The recent escalation of the U.S.-China trade war is threatening the growth of China and global economies and exaggerating volatility to the currency markets. In addition, the volatility of the U.S. interest rate increases the uncertainty to finance costs of corporates. These factors increase the risks and costs of our business operations. The Group uses certain derivative financial instruments to hedge the interest rate and currency risks from time to time and will continue to closely monitor the market conditions and if necessary may adjust the paces of our development and business strategy to balance these risks.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 30 June 2019, save for the deviation from the code provision A.2.1, the Company has applied the principles, complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

CODE PROVISION A.2.1

Chairman and Chief Executive Officer

Since 30 September 2016, the posts of Chairman and Chief Executive Officer were combined and Mr. Yin Bo, the Chairman of the Board has also assumed the role of the Chief Executive Officer. This arrangement is in contravention of code provision A.2.1 of the CG Code. Mr. Yin has considerable knowledge of the Company's assets and his experience is very highly valued by the Board. At a challenging time for the Company, the Board decided that Mr. Yin was the best person to lead and oversee the implementation of the Company's long and short term plans in accordance with its strategy which is determined by the Board. All major decisions are made in consultation with the Board members, appropriate Board committees or senior management of the Group. Mr. Yin promotes a culture of openness and encourages the Directors to make a full and active contribution to the Board's affairs. During the six months ended 30 June 2019, the three Independent non-executive Directors of the Company offered strong and independent advice. All decisions have reflected the consensus of the Board. The Board is keeping this situation under review and will separate the role of Chairman and Chief Executive Officer when it is in the Company's best interests to do so.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for dealings in securities of the Company by its Directors (the "**Securities Dealings Code**") that is based on the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules (or on terms no less stringent than the Model Code).

All Directors confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Securities Dealings Code throughout the six months ended 30 June 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2019.

REVIEW OF ACCOUNTS

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2019 with the management of the Company.

FORWARD LOOKING STATEMENTS

This interim results contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied by such statements.

Glossary of Terms

Bembélé Manganese Mine	a manganese mine located in Bembélé, Moyen-Ogooue Province, Gabon, the exploration rights and mining rights of which are owned by La Compagnie Industrielle et Commerciale des Mines de Huazhou (Gabon) (華州礦業（加蓬）工貿有限公司), a company in which we indirectly hold 51% equity interest
Board or Board of Directors	our board of Directors
Changgou Manganese Mine	貴州遵義匯興鐵合金有限責任公司長溝錳礦 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company Changgou Manganese Mine)
China or PRC	the People's Republic of China, but for the purpose of this interim report, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
Company or our Company	CITIC Dameng Holdings Limited
Greenway Mining	Greenway Mining Group Limited (formerly know as "China Polymetallic Mining Limited"), a company incorporated in Cayman Islands with limited liability and listed on the Stock Exchange (Stock Code: 2133)
Daxin Mine	中信大錳礦業有限責任公司大新錳礦 (CITIC Dameng Mining Industries Co., Limited Daxin Manganese Mine)
Director(s)	the director(s) of our Company
Dushan Jinmeng	獨山金孟錳業有限公司 (Dushan Jinmeng Manganese Limited Company)

EMD	electrolytic manganese dioxide
EMM	electrolytic manganese metal
EMM Products	EMM and manganese briquette
Gabon	the Gabonese Republic
Group, we or us	the Company and its subsidiaries
Guangxi	Guangxi Zhuang Autonomous Region, the PRC
Guangxi Dameng	廣西大錳錳業有限公司 (Guangxi Dameng Manganese Industrial Co., Ltd.), a state-owned limited liability company established under the laws of the PRC on 30 July 2001. Guangxi Dameng is wholly-owned by the government of Guangxi, PRC
Guangxi Jinmeng	廣西金孟錳業有限公司 (Guangxi Jinmeng Manganese Limited Company), a company established under the laws of the PRC, which holds approximately 67.0% equity interest in Dushan Jinmeng
Guangxi Jinmeng Group	Guangxi Jinmeng together with its subsidiaries
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hui Xing Company	貴州遵義匯興鐵合金有限責任公司 (Guizhou Zunyi Hui Xing Ferroalloy Limited Company)
Hui Xing Group	Hui Xing Company together with its subsidiaries (including 遵義中信大錳設備製造安裝有限公司 (Zunyi CITIC Dameng Equipment Manufacture and Installation Co., Ltd.))
Huiyuan Manganese	廣西滙元錳業有限公司 (Guangxi Huiyuan Manganese Industry Co., Ltd)
IPO	the initial public offering and listing of Shares of the Company on the main board of the Stock Exchange on 18 November 2010

Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
NCM	Lithium Nickel Cobalt Manganese Oxide
Ningbo Dameng	寧波大錳投資管理合伙企業(有限合伙) (Ningbo Dameng Management Partnership (Limited Partnership))
Ningbo Dameng Group	Ningbo Dameng together with its subsidiary Huiyuan Manganese
Prospectus	the prospectus of the Company dated 8 November 2010
Shares	ordinary shares in the share capital of the Company, with a nominal value of HK$0.10 each
Stock Exchange	the Stock Exchange of Hong Kong Limited
tonne	metric tonne
XAF	Central African CFA franc

Note: The English names of the PRC entities mentioned hereinabove are translated from their Chinese names. If there are any inconsistencies, the Chinese names shall prevail.

By Order of the Board
CITIC DAMENG HOLDINGS LIMITED
Yin Bo
Chairman

Hong Kong, 24 July 2019

As at the date of this announcement, the executive directors are Mr. Yin Bo and Mr. Li Weijian; the non-executive directors are Mr. Suo Zhengang, Mr. Lyu Yanzheng, Mr. Cheng Zhiwei and Ms. Cui Ling; and the independent non-executive directors are Mr. Lin Zhijun, Mr. Tan Zhuzhong and Mr. Wang Zhihong.

* *For identification purpose only*